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Managing clients' funds and avoiding ethical problems

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and

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The Massachusetts IOLTA Committee

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I. Understanding Client Fund Accounts

A. Introduction

"Safekeeping Property" Rule 1.15 of the Massachusetts Rules of Professional Conduct (Mass. R. Prof. C.) establishes the standards and guidelines by which attorneys are expected to manage client funds. In addition, the new record keeping rules effective January 1, 2004 provide minimum standards for client fund account record keeping. The new rule requires lawyers to send out itemized bills to clients on or before the date of withdrawing funds from their client trust accounts;[1] requires that withdrawals not be made by ATM or checks made out to cash;[2] describes the types of account documentation needed[3] and mandates that attorneys reconcile accounts at least every sixty days.[4] This publication explains the new provisions of the record keeping rule and suggests guidelines for attorneys to follow in order to meet their obligations under Mass. R. Prof. C., Rule 1.15.

The Massachusetts Rules of Professional Conduct including Rule 1.15 are based substantially on the American Bar Association Model Rules of Professional Conduct (Model Rules). They were adopted in 1997 by the Supreme Judicial Court Justices effective January 1, 1998, replacing the Disciplinary Rules (DRs) of the Code of Professional Responsibility (CPR).

Rule 1.15(e) was preceded by Disciplinary Rule 9-102 (C) as amended January 1, 1990 which established a comprehensive Interest on Lawyers' Trust Account (hereinafter referred to as IOLTA) program in Massachusetts. Through interest generated on certain client funds accounts, the IOLTA program funds legal services to the disadvantaged and projects which improve the administration of justice.

B. A Standard of Strict Accountability

Under Mass. R. Prof. C., Rule 1.15, a lawyer should hold the property of others with the care required of a professional fiduciary. This means that a lawyer handling client funds should act for the benefit of the client in the context of a relationship characterized by great confidence and trust on the part of the client and good faith and candor on the part of the lawyer.

The fiduciary nature of the relationship and the need for public confidence in the legal profession places several burdens on a lawyer. First, in handling client funds, the lawyer must not only act properly but must also avoid even the appearance of acting improperly. Therefore, the lawyer is obligated to utilize certain protective procedures to minimize the possibility of wrongdoing. For example, securities should be kept in a safe deposit box, except when some other form of safekeeping is warranted by special

circumstances. All property which is the property of clients or of third parties should be kept separate from the lawyer's business and personal property; monies should be placed in one or more client fund accounts. Separate trust accounts are warranted when administering money from estates or acting in similar fiduciary capacities.

Second, each lawyer is personally responsible for the proper deposit and maintenance of clients' funds. While necessity often requires delegation of administrative duties within a law practice, the lawyer still must establish, be familiar with and ensure the proper operation of the adequate procedures for the handling of client funds. Specifically, lawyers who delegate any part of their client fund account responsibilities to their staff must provide effective guidelines for the proper handling and maintenance of these accounts and supervise staff activities. The new record keeping provisions must be integrated into the law practice.

In summary, the basic premise which underlies the rule is a lawyer who, as an incident to professional practice, holds money, any part of which belongs to another, whether a client or a third party, must keep that money in a separate account maintained in a banking institution. The funds must be deposited either in a pooled IOLTA account, which pays interest to the Massachusetts IOLTA Committee, or in an interest bearing account for the client's benefit. This money may not be commingled with money belonging to the law office or to the lawyer personally.

C. WHAT FUNDS ARE "CLIENT FUNDS"?

Mass. R. Prof. C., Rules 1.15 (a) and (e) define client funds as funds which are held in trust for clients or others, or held in any other fiduciary capacity in connection with a representation, except "advances for costs and expenses". (For a discussion of costs and expenses see page 7.) The rule requires that client funds be deposited in one or more identifiable bank accounts in Massachusetts (assuming the law office is located here) in which no other funds are deposited except those necessary to pay bank service charges or to meet minimum balance requirements.

Among the monies which are to be treated as client funds are:

1. All advances for fees and most retainers[5] received from clients, until they are actually earned by the lawyer (See section on retainers/advanced fees, pages 5-7);

2. Funds which belong in part to the client and in part to the lawyer;

3. Funds of the client that are being held for disbursement at a later time;

4. Funds of third parties to be distributed at a later time;

5. Personal injury awards including PIP funds, alimony payments, real estate conveyancing monies and litigation settlements .

All client funds must be deposited in one of two types of interest-bearing accounts: a pooled IOLTA account, or an individual client account. A pooled IOLTA account contains all client funds which, in the judgment of the lawyer, are nominal in amount or are to be held for a short period of time. An individual client account, separately established for each client, is used for all other client funds. Interest earned on pooled IOLTA accounts is transferred by the bank to the IOLTA Committee. Interest earned on individual client account accrues to the benefit of the individual client and is payable as directed by the client.

In contrast to client fund accounts, a lawyer's operating account is used to hold the lawyer's earned fees and to pay the lawyer's operating expenses. A lawyer must not deposit client funds to an operating account, or a personal checking or savings account. As of January 1, 2004, a lawyer is required to maintain a separate business and/or personal account for the lawyer's own funds for clearer record keeping.[6]

1. CONVEYANCING ACCOUNTS.[7]

The "conveyancing exception" to the IOLTA rule. There is one narrow exception to the requirement that client funds be deposited to either an IOLTA or individual interest-bearing client account. That exception is for conveyancing accounts, but only in certain limited circumstances. A conveyancing account is exempt from the IOLTA requirements under Mass. R. Prof. C., Rule 1.15(e)(5) if it is an account "in a lending bank in the name of a lawyer representing the lending bank and used exclusively for depositing and disbursing funds in connection with that particular bank's loan transactions, . . ."

The rationale behind this exemption is that the interest earned will be retained by the banks making the loans. Note that the exception applies only to banks, not mortgage companies, although a mortgage company which is simply the mortgage arm of a bank would appear to qualify for the exemption.

As an example, a conveyancing account at Bank A does not have to be an IOLTA account if all the monies deposited to and disbursed from the account involve closings for Bank A. However, a closing for Bank B cannot be done from Bank A account unless the account at Bank A is an IOLTA account. Thus, if a lawyer does closings for several lending institutions from the same client account, the account must be an IOLTA account. It is only when closings are being done for the lending bank at which the account is maintained, and only for that lending bank, that the conveyancing exception applies.

Closings for mortgage companies, whether one mortgage company or multiple, must be done through an IOLTA account. As noted above, the only exception might be for closings being done for a mortgage company which is the mortgage arm of a bank. In that case, if the account is maintained at that same bank and only closings for that bank's mortgage company are transacted through the account, an exempt conveyancing

account could be established. In other words, an exempt account could be established at Bank C for closings for Bank C Mortgage Corporation only.

Even if the conveyancing exception is applicable, the rule provides that the lawyer is permitted to establish the account as an IOLTA account. Also, if the conveyancing account is not established as an IOLTA account, it should be a non-interest-bearing client account and not a NOW account or other account earning interest. Finally, the account in all circumstances must be properly denominated as an IOLTA account, conveyancing account, client trust account, or similar designation.

Note, conveyancers sometimes find themselves holding client funds for some period of time after the closing while title problems are resolved. The conveyancing exception is not applicable to this circumstance. Unless the parties direct otherwise, such funds should be moved to an individual interest-bearing client account. To the extent that the funds are retained in either an exempt conveyancing account or an IOLTA account in the expectation that the title will be quickly cleared, the lawyer must monitor the situation and transfer the funds to an individual interest-bearing escrow account when it becomes apparent that resolution of the problem will be delayed.

'CONVEYANCING ACCOUNT' CONFUSING
BY PAUL L. LEVINE, ESQ. LOWELL

To the Editor:

As most conveyancing attorneys know, it is mandatory as of Jan. 1 that lawyers establish interest-bearing IOLTA accounts for short-term client funds. However, there seems to be some confusion about the "conveyancing account" exemption, and what it involves.

After talking to several lawyers and hearing several versions of the rules, I decided to call the IOLTA Committee. I found that only a limited type of "conveyancing account" is exempt; the exemption does not apply to all accounts used for conveyancing.

The only accounts exempt from IOLTA are those conveyancing accounts "in a lending bank used exclusively for depositing and disbursing funds in connection with that bank's loan transactions".

In simple terms, an account in Bank A does not have to be an IOLTA account if all the monies put through the account involve closings with Bank A. However, a closing with Bank B cannot be put through an account with Bank A unless it is an IOLTA account.

It would seem that all conveyancers will need at least one IOLTA "conveyancing account" to handle any "miscellaneous" lenders with which they have no escrow account. But any current "conveyancing account" which is not interest bearing need not be changed so long as it is limited to closings with only that particular bank.

I hope this will help conveyancers as Jan. 1 approaches.

MLW, December, 1989

2. ADVANCED FEES/RETAINERS[8]

Questions about attorneys' fees generate more complaints to the Office of Bar Counsel than any other issue. The handling of "retainers" or "advanced fees" and whether they should be treated as clients funds seems to engender much confusion. The

words "advanced fees" and "retainers" are used interchangeably throughout the profession.

An advanced fee or retainer is the payment of funds in advance to a lawyer for a particular service or for a particular case. Most retainers or advanced fees are payments to a lawyer to be earned as services are provided. (See discussion on narrow exception below.) In such cases, the funds belong to the client until they are earned through the services provided by the lawyers. C. Wolfram, Legal Ethics 505-506 (1986). Such advanced fees/retainers are always subject to refund if they are not earned.

Deposit of Retainers. Retainers or advanced fees as defined above, paid in advance for the handling of a particular case, are client funds and must be deposited to an interest-bearing account until earned by the lawyer. Since the lawyer may not commingle personal funds with client funds [Mass. R. Prof. C., Rules 1.15 (b)(2) (ii)], the lawyer must promptly withdraw the fee from the client funds account as it is earned.

Accounting to Client for Fees Earned. The revised 2004 rule requires attorneys, on or before the date of withdrawing funds to pay fees earned, to mail or "deliver" to the client (1) a written itemized bill accounting for services rendered, (2) written notice of the amount and date of withdrawal and (3) a statement of the balance of the client's fund in the trust account after the withdrawal.[9] Mass. R. Prof. C., Rule 1.15 (f) requires lawyers to maintain complete records regarding the receipt, maintenance and disposition of client funds. Retainers and advanced fees fall within this category. In addition, the lawyer must render "a full accounting" to the client or third party, upon request, for the disposition of all funds.

Non-Refundable, Flat Fees. There are no fees that are not refundable. Bar Counsel will review whether a portion of the fee should be returned regardless of whether the attorney views the fee as non-refundable or flat. The fee may not interfere with the client's right to discharge the attorney at any time. Mass. R. Prof. C., Rule 1.16 (d). In Smith v. Binder, 20 Mass. App. Ct. 21 (1985), the attorneys were paid a retainer of $8,500 for representation in a criminal case. Plaintiff-clients sued the attorneys for an accounting and refund three weeks later, after they had discharged the attorneys. Defendant-attorneys claimed the fee was non-refundable and asked the court to take judicial notice that "it is an accepted custom and practice among attorneys of the criminal bar that retainers taken in connection with representation of criminal defendants are non-refundable." The trial judge granted a Rule 41 motion and found that plaintiffs knew the fee was non-refundable. Appeals Court reversed, finding no evidence to support that finding. In a footnote, the Appeals Court noted authority holding that requiring a client to agree to a non-refundable fee was unethical. In its opinion, the Appeals Court observed that the right to change lawyers at any time was "[e]ssential to the lawyer client relationship" and that, if the lawyer were permitted to keep the unearned portion of the fee, the "right to change lawyers would be of little value."

There is one narrow exception to the "retainer" discussion. There is one type of retainer, known as a "classic" retainer, in which the client binds the attorney to employment to the exclusion of adverse parties. The retainer is seen as payment for the

establishment of this exclusive relationship - not for specific, pending services required. The advantage to the client is in securing the services of the lawyer of choice over a period of time, whereas the lawyer foregoes the possibility of employment by others whose interest might be adverse to the client. The payment is in return for the attorney's agreement to be bound to the client and is therefore "earned" when paid. Blair v. Columbian Fireproofing Co., 191 Mass. 333 (1906).

D. Depositing Funds into an IOLTA Account or a Separate Interest Bearing Account

Mass. R. Prof. C., Rule 1.15 provides that client funds must be placed in interest bearing accounts, the interest must be credited to the client's account, or deposited in an IOLTA account for the benefit of legal services to the poor and the improvement of the administration of justice. Under Mass. R. Prof. C., Rule 1.15 (e)(5), it is the lawyer's responsibility to exercise good faith judgment in determining initially whether funds of a client are of such nominal amount or are expected to be held by the lawyer for such a short period of time that the funds should be placed in an IOLTA account. If the lawyer determines the amounts are not nominal or short term, the lawyer must establish a separate client fund account for the benefit of the individual client. In this case, the lawyer will need to obtain the client's social security number or employer identification number to give to the bank so that the tax on any earned interest can be assigned to the client.

Although funds such **as advances for costs and expenses** are not required to be deposited in client fund accounts, the lawyer has the same accounting, record keeping, and payment responsibilities for these types of funds held in a general office account as for funds held in the client fund accounts. Advances for costs and expenses may be deposited in an IOLTA account.

The obvious question is how do you know when to use the pooled account where the interest is paid to the IOLTA Committee and when to use an account where the interest is paid to the client?

The Guideline to the Rule explains how to determine which account to use. The sole question that the lawyer must answer is whether the client funds "could be utilized to provide a positive net return to the client." In deciding whether there will be a positive net return, the lawyer must consider (1) the amount of interest the funds would earn during the period they are to be deposited, (2) the cost of establishing and administering the account including a reasonable cost for the lawyer's services and the cost of preparing the necessary tax reports, and (3) the capability and cost of the financial institution to calculate and pay the interest to the individual client.

There is no "bright line" by which a lawyer can know where to deposit the funds. Instituting procedures to make sure that this issue is considered and resolved when

dealing with client funds will help you comply with the Massachusetts Rules of Professional Conduct, and avoid potential financial liability.

E. Deposits to Client Fund Accounts

1) ***Which Funds?*** All funds which qualify as client funds as defined on page 3, must be deposited into a client fund account. The law firm should have a clearly expressed written policy, for all attorneys and staff, as to what funds are deposited into a client fund account.

2) ***When?*** Promptly. Deposit of client funds should be made daily.

3) ***Where?*** Under Mass. R. Prof. C., Rule 1.15 (g) funds must be deposited in a bank, savings and loan association, or credit union authorized by Federal or State law to do business in Massachusetts and insured by the Federal Deposit Insurance Corporation or similar State insurance programs. The financial institution holding the account must have agreed to abide by the dishonored check rule, which became effective October 1, 1995. Client funds should not be deposited, hidden or concealed in the law office. All securities and properties of a client should be identified and labeled and promptly placed in a safe deposit box or other place of safekeeping as soon as practical. The same attentive care and precautionary procedures should be adopted for the receipt, holding and disbursement of these properties as is given to the safe maintenance of client accounts for client funds.

4) ***How?*** Sound accounting advice is never transmit money without written communication. A voucher or other documentation for receipt and instruction should be prepared by the attorney, instructing the person performing the bookkeeping function to deposit the funds into the client fund account on behalf of the client named in the voucher or receipt. Written communication avoids later arguments about what deposit instructions were and provides a needed audit trail.

5) ***Notify Client.*** Mass. R. Prof. C., Rule 1.15 (c)[10] requires that clients be notified promptly of the receipt of their funds, securities, or other properties. The rule is particularly needed regarding funds received from third parties. Compliance avoids misunderstanding, mistakes and mistrust.

F. Disbursement of Client Funds

1) ***Timing***. Before disbursement of client funds, the client's or third party check should have cleared through the banking process. If this precaution is not taken, and the initially receipted check is returned for insufficient funds or a stop payment order is issued, the client funds of other clients will be disbursed wrongfully. Since even cashier checks and certified checks are occasionally dishonored, the best policy is to be assured that the initial receipts have cleared the banking process.

2) ***Amounts.*** Client fund disbursements from the client's ledger must not exceed the funds received from or on behalf of that client. Otherwise, a wrongful taking of

other client trust funds occurs, resulting in both civil and disciplinary liability. As a precautionary measure, both the person requesting the disbursement and the individual signing the check should have a copy of the particular client's subsidiary ledger before requesting or authorizing the disbursement of trust funds.

3) ***Identify the Transaction.*** Again, built into the process, by either voucher request or other documentation, there should be a clear description of each disbursement, including the identity of the file to be charged and the reason for the transaction.

4) ***Signature.*** Who will sign trust checks is probably best left for each firm to decide. Generally, the person who prepares the checks should not have signatory authority. Regardless, no individual should sign a check unless presented with written documentation indicating that the disbursement is proper, principally that the original receipted funds have cleared the banking process, and that the client's subsidiary ledger account contains adequate funds. Disbursement procedures should be clearly stated in established rules for the firm. Requiring two signatures for large check amounts is also recommended.

5) ***Internal Controls***. Proper disbursement of client funds is greatly enhanced by a strong system of internal controls. Job functions should be structured to allow for an adequate segregation of all duties relating to the handling of client funds. For example, the reconciliation process should be performed by personnel who are not involved in the bookkeeping process, ideally by the lawyer or the firm administrator. Also, internal controls are weakened when the same person who prepares the check signs the check. Other important control procedures include: proper authorization, recording, and documentation of all client fund transactions, limited access to client fund accounts and client property, periodic independent verification of client accounting records, and sound personnel practices. Finally, no system of internal controls can function effectively without the active involvement of the attorney(s) responsible for the client funds.

6) ***Interest of Third Parties.*** The trust and fiduciary obligations imposed by Mass. R. Prof. C., Rule 1.15 extend beyond the client to third parties who have an interest in the disposition of the funds. The rule applies to all clients' funds accounts, including IOLTA, trust and escrow accounts. In addition, the rule pertains to any funds being held by a lawyer even if the lawyer is holding those funds in another capacity, such as a trustee or conservator for a family member or other person. Please note, if the property is being held on a pro bono basis, as a custodian for a minor family member, the property is not subject to the Operational Requirements for Trust Accounts set out in Rule 1.15 (e) or (f).[11]

G. Operational Requirements (Effective January 1, 2004)

The ability to precisely document the complete history and disposition of all client funds is the central requirement when accounting for trust accounts. Rule 1.15 does not mandate any particular client trust accounting system, but it spells out the

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required components. The system described below will provide the basics to account for clients' funds.

Rule 1.15 requires two basic kinds of records: (1) records created by the bank that show what went into and out of the attorney's client trust bank accounts; and (2) records created by the attorney to explain the transactions reflected in the bank documents.

How Long Must Records Be Kept?
Rule 1.15 (f) requires keeping trust accounting records for six years after the funds are paid out and after termination of the representation of the client.

What If The System is Computerized?
A lawyer using a computerized accounting system must maintain the check register, client ledgers, bank charges ledger and reconciliation reports in a form that can be reproduced and printed in hard copy. Because computer data can be lost through electrical storms, fire, power or equipment failure, software malfunction and human error, electronic records must be regularly backed up by an appropriate storage device. (Rule 1.15(f)(1)(G))

What Bank-Created Documents Must Be Kept?
Rule 1.15 (f) requires retention by the attorney of all documents recording transactions that the bank returns to the attorney. This may include such documents as client trust bank account statements, cancelled checks and records of electronic transactions. Banks no longer automatically provide cancelled checks to customers, but attorneys will want to make sure their bank provides either the originals or photo images of cancelled checks (including both sides of the checks).

Suggestion for Filing Bank-Created Documents
A basic system would involve keeping a separate binder (or folder) for each client trust bank account. Each folder should have one section for bank statements, one section for originals or photo images of cancelled checks and records of electronic and other transactions, one section for copies of deposit slips and one section for checkbook stubs or records, computer-generated equivalents or copies of checks created by "one-write" methods as the checks are written. Deposit slips and checkbook stubs or records provide a complete audit trail. In this system, each document is filed in date order in the appropriate section of the binder for the account they refer to. Label each binder with the name of the client trust bank account and the period it covers. Note that binders for a pooled account will have cancelled checks pertaining to all of the clients whose funds are in the pooled account.

What Client Accounting Records Must Be Kept by the Attorney?
Rule 1.15 (f) (1) (A) requires attorneys to record the name and address of the bank or other depository, the account number, the account title, the opening and closing dates, and the type of account (whether it is an IOLTA account or a separate client fund account for the client). For each account, there are three types of accounting records that

must be kept by the attorney. They are; the check register, client ledgers and a ledger for bank fees and charges.

Accounting Record:

The Client Ledger

Rule 1.15 (f) (1) (C) requires keeping individual client records for each separate matter in which the attorney holds funds for the client. This client ledger must give the name of the client, detail all money received and paid out on behalf of the client or third party, and show the client's balance following every receipt or payment. See Exhibit A.

Maintaining a client ledger is like keeping a separate checkbook for each client, regardless of whether or not the client's money is being held in the IOLTA account or a separate account. Every receipt and payment of money for a client must be recorded in that client's client ledger. When depositing more than one check but using a single deposit slip, record each check as a separate deposit in the client ledger. For every receipt, list the date, amount and source of the money. For every payment, list the date, the amount, the check number, the payee and the purpose of the payment. After you record each receipt, add the amount to the client's old balance and write the new total. After recording each payment, subtract the amount from the client's old balance and write in the new total.

The following is a description of opening and maintaining a client ledger for a new client, Mark Twain. At the first meeting on January 5, 2004, MT gives a check for $1,500 as an advance fee. If the decision is made to place the funds in an IOLTA account, the attorney will deposit MT's money into the account and create a new client ledger for him. The new client ledger could look like the one in Exhibit A or like this.

Client Ledger
Client MT
Case #: 77777

Date	Chk No.	Payee or Source of Deposit	Description of Transaction	Amount Paid	Amount Received	Running Balance
1/5/04		Mark Twain	Advance Fee		$1,500.00	$1,500.00

On February 5, the attorney sends the client a description of services provided to him, including an accounting of the $500 fee for which the attorney is writing a check to his or her firm.

Client Ledger
Client MT
Case #: 77777

Date	Chk No.	Payee or Source of Deposit	Description of Transaction	Amount Paid	Amount Received	Running Balance
1/5/04		Mark Twain	Advance Fee		$1,500.00	$1,500.00
2/5/04	217	Law Firm of X	Professional Fee Invoice No. 1	$500.00		$1,000.00

Bank Charges Ledger

Rule 1.15 (f)(1)(D) deals with Bank Fees and Charges. It requires attorneys to record every bank charge against the client trust fund account in the check register and permits the attorney to keep his or her money in the account to pay these charges and fees. Attorneys should keep a bank fees and charges ledger the same way that client ledgers are kept, as part of an check register system. Record every deposit of attorney funds, every charge the bank makes against the account, and the running balance in both the client ledger and the check register.

Bank Charges Ledger
Client: Bank Charges
Case #: N/A

Date	Chk No	Payee or Source of Deposit	Description of Transaction	Amount Paid	Amount Received	Running Balance
10/3/99			Balance Forward			$50.00
10/30/99		Self			$100.00	$150.00
11/30/99			Check Printing	$10.00		$140.00

Check register

Rule 1.15 (f) (1) (B) requires a check register in chronological order with the date and amount of all deposits; the date, check or transaction number, amount and payee of all disbursements, whether by check, electronic transfer, or other means; the date and amount of every credit or debit and the identity of the client matter and the current balance in the account. Maintaining a check register is very similar to keeping a client ledger. For your pooled accounts, keeping the check register is the only way to know how much money is in the account at any given time and is essential for performing required reconciliations. If maintained and used properly, this journal will help prevent bounced checks (unless there is a bank error).

Sample Check register
Law Office of Attorney Doe Client Funds Account: ABC Bank

Date	Chk No.	Payee or Source of Deposit	Description of Transaction	Client ID	Amount Paid	Amount Received	Running Balance
12/31/03			Balance Forward				$14,800.00
1/4/04	215	Law Firm of X	**Prof. Fee Invoice No. 7**	**AZ**	$1,800.00		$13,000.00
1/5		**MT**	**Retainer**	**MT**		$1,500.00	$14,500.00
1/7		**Insurance Company**	**Settlement, Bodily Injury**	**EF#7**		$3,500.00	$18,000.00
1/7	216	George Hanson	**Final Disbursement of Settlement Proceeds**	**GH**	$6,500.00		$11,500.00

Reconciliation

Rule 1.15 (f)(1)(E) requires lawyers to keep records of reconciliation (balancing) of the client ledgers, bank charges ledger, check register and bank statements. Reconciliation means checking the basic records – the bank statements, the client ledgers, the bank charges ledger and the check register – against each other so any mistakes can be corrected. Rule 1.15 requires that client trust account records be reconciled every sixty days and that a written record that shows the records were reconciled be kept.[12] It is recommended, however, that you reconcile these accounts on a monthly basis.

There are four main steps in reconciliation:

1. Comparing the check register with the client ledgers and bank charges ledger to make sure the sum of the running balances in all client ledgers plus the bank charges ledger is equal to the running balance in the check register.

2. Entering previously unrecorded bank charges and interest shown on the bank statement into the check register and client ledgers or bank charges ledger as appropriate.

3. Reconciling each check register with the corresponding bank statement to make sure that the lawyers records agree with the bank statement. This requires adjusting the bank statement's balance by adding deposits made after the bank statement's closing date and subtracting checks not received by the bank until after the bank statement's closing date.

4. Entering corrections (explanations of errors found, not just a note that the numbers did not balance) in the client ledgers and check register so that the running balances are the same as the bank statement balance.

Exhibit C is an example of a reconciliation worksheet that can be used to complete your periodic reconciliations.

Computer Software

The foregoing functions are now routinely handled in many law offices by an automated accounting system. Many systems have the capability of generating reports as to each of the factors set forth above. Thus, for example, a few keystrokes, or mouse clicks, can generate a cash receipts journal for a given period of time or allow a lawyer to create a client ledger. Some systems, but not all, have trust accounting capabilities. Regardless of whether a manual or automated system is used, however, the system is only good as the information provided to it. [13]

H. Dishonored Check Notification Rule[14]

Effective October 1, 1995, all financial institutions which want to qualify to handle attorney client fund accounts must agree to report all client fund account checks which are dishonored because of insufficient funds to the Board of Bar Overseers. A copy of the Dishonored Check Rule is included in the materials. (See pages 18-19.) In addition all lawyers who are notified of a dishonored check are required to provide the BBO with a written explanation of the reasons for the dishonored check.

The Board of Bar Overseers maintains a central registry of all banking institutions whose agreements to abide by the dishonored check rule have been approved. The list of approved institutions is also posted on the Board's website, www.mass.gov/obcbbo It is important to note that it is the attorney's responsibility to ensure that the banking institutions he or she uses are those that have agreed to the rule. The bank in which the client fund account is maintained must provide dishonored check reports to the BBO. Such a notification must be generated whenever a check that would otherwise be properly payable is dishonored because of insufficient funds.

Once the BBO receives a dishonored check notice from a bank, a report is made and a file opened on the attorney. Bar Counsel then sends a letter to each attorney, requesting an explanation as to why the check was dishonored. If the check was dishonored because of a bank error, then the file may be expunged. If the BBO is satisfied with the attorney's response as to why the check was dishonored, the file is closed. If the BBO is not satisfied with an attorney's explanation of why a check was dishonored, further investigation will be conducted into the attorney's accounting methods and business practices.

The experience with this rule indicates that there are several causes of dishonored checks that can be eliminated. The following steps will help you avoid this problem:

(1) Make sure that you have deposited the client funds and they have cleared the banking process before you disburse funds.

(2) Keep accurate deposit records in case there is ever a question of depositing to the correct account. Banks occasionally credit the wrong accounts of law firms, or otherwise inaccurately record transactions.

(3) Determine the amount and timing of service fees, especially the cost of check printing. It is permissible to maintain a minimal amount of attorney funds in the account to cover service charges, check charges and minimum balances. Treat these funds as a separate "client" and keep track of them on their own ledger. Deduct these charges from the account balance.

(4) Reconcile your account regularly so that mistakes do not multiply into a dishonored check.

(5) Find out how your bank handles the closing of accounts, and insure that all outstanding checks have cleared before closing a client fund account.

I. REFUND POLICY

In the event an attorney notifies the IOLTA Committee in writing that funds of a client or a third person were erroneously deposited into, or kept in an IOLTA account, the Executive Director will review the request, and a refund of any interest paid to the Committee as a result of the error will be made. The attorney must provide due proof and substantiate with acceptable documentation: the dates the funds were deposited, the amount of money on which the interest was paid, the length of time the funds were in the IOLTA account as well as the circumstances which led to the error.

II. APPENDICES

A. FOOTNOTES

[1] Rule 1.15 (d) (2) On or before the date on which a withdrawal from a trust account is made for the purpose of paying fees due to a lawyer, the lawyer shall deliver to the client in writing (1) an itemized bill or other accounting showing the services rendered, (ii) written notice of amount and date of the withdrawal, and (iii) a statement of the balance of the client's funds in the trust account after the withdrawal.

[2]Rule 1.15 (e)(3) ...No withdrawal shall be made in cash or by automatic teller machine or any similar method...

[3] See Rule 1.15 (f)(1).

[4] Rule 1.15(f)(1)(E) Reconciliation Reports. For each trust account, the lawyer shall prepare and retain a reconciliation report on a regular and periodic basis but in any event no less frequently than every sixty days. ...

5 Mass. Bar Ass'n Comm. on Professional Ethics, OP. 78-11 (1978) states "A retainer is usually a payment on account of future services. It may or may not be sufficient to cover all of the services necessary in the particular matter. It may also exceed the amount necessary in the matter, in which case the lawyer is obligated to account for the return of the unused portion to the client. In any event,... the lawyer is required to keep the retainer separated from his own funds, until he has earned it..."

6 Rule (f)(G)(2) Each lawyer who receives trust funds must maintain at least one bank account, other than the trust account, for funds received and disbursed other than in the lawyer's fiduciary capacity.

7 Connie Vecchione, "Ethics Q&A", Massachusetts Bar Association, Small Firm Management Section News, Vol. 10, No. 3, (May, 1994), pages 4-5.

8 Arnold Rosenfeld, "Should Retainers Be Treated As Clients' Funds?", Massachusetts Lawyers Weekly, Vol. 21, No. 19, January 25, 1993, page 1.

9 Ibid. see footnote 1

10 Rule 1.15 (c) Prompt Notice and Delivery of Trust Property to Client or Third Person.
Upon receiving trust funds or other trust property in which a client or third person has an interest, a lawyer shall promptly notify the client or third person. Except as stated in this rule or as otherwise permitted by law or by agreement with the client or third person on whose behalf a lawyer holds trust property, a lawyer shall promptly deliver to the client or third person any funds or other property that the client or third persons entitled to receive.

11 Rule 1.15 (e)(6) Property held for no compensation as a custodian for a minor family member is not subject to the Operational Requirements for Trust Accounts set out in this paragraph (e) or the Required Accounts and Records in paragraph (f) of this rule. As used in this subsection, "family member" refers to those individuals specified in section (e)(2) of rule 7.3.

12 Rule 1.15 (f)(1)(E) For each trust account, the lawyer shall prepare and retain a reconciliation report on a regular and periodic basis but in any event no less frequently than every sixty days. Each reconciliation report shall show the following balances and verify that they are identical...

13 Mark Zarrow, Esq.

14 See full text of Rule 1.15 (h) on pages 21-22.

B. New Mass. R. Prof. C., Rule 1.15

TEXT OF MASS. R. PROF. C., RULE 1.15 SAFE KEEPING PROPERTY (EFFECTIVE JANUARY 1, 2004)

Rule 1.15 Safekeeping Property

(a) Definitions:

(1) "Trust property" means property of clients or third persons that is in a lawyer's possession in connection with a representation and includes property held in any fiduciary capacity in connection with a representation, whether as trustee, agent, escrow agent, guardian, executor, or otherwise. Trust property does not include documents or other property received by a lawyer as investigatory material or potential evidence. Trust property in the form of funds is referred to as "trust funds."

(2) "Trust account" means an account in a financial institution in which trust funds are deposited. Trust accounts must conform to the requirements of this rule.

(b) Segregation of Trust Property. A lawyer shall hold trust property separate from the lawyer's own property.

(1) Trust funds shall be held in a trust account, except that advances for costs and expenses may be held in a business account.

(2) No funds belonging to the lawyer shall be deposited or retained in a trust account except that:

(i) Funds reasonably sufficient to pay bank charges may be deposited therein, and

(ii) Trust funds belonging in part to a client or third person and in part currently or potentially to the lawyer shall be deposited in a trust account, but the portion belonging to the lawyer must be withdrawn at the earliest reasonable time after the lawyer's interest in that portion becomes fixed. A lawyer who knows that the right of the lawyer or law firm to receive such portion is disputed shall not withdraw the funds until the dispute is resolved. If the right of the lawyer or law firm to receive such portion is disputed within a reasonable time after notice is given that the funds have been withdrawn, the disputed portion must be restored to a trust account until the dispute is resolved.

(3) Trust property other than funds shall be identified as such and appropriately safeguarded.

(c) Prompt Notice and Delivery of Trust Property to Client or Third Person. Upon receiving trust funds or other trust property in which a client or third person has an interest, a lawyer shall promptly notify the client or third person. Except as stated in this rule or as otherwise permitted by law or by agreement with the client or third person on whose behalf a lawyer holds trust property, a lawyer shall promptly deliver to the client or third person any funds or other property that the client or third persons entitled to receive.

(d) Accounting.

(1) Upon final distribution of any trust property or upon request by the client or third person on whose behalf a lawyer holds trust property, the lawyer shall promptly render a full written accounting regarding such property.

(2) On or before the date on which a withdrawal from a trust account is made for the purpose of paying fees due to a lawyer, the lawyer shall deliver to the client in writing (i) an itemized bill or other accounting showing the services rendered, (ii) written notice of amount and date of the withdrawal, and (iii) a statement of the balance of the client's funds in the trust account after the withdrawal.

(e) Operational Requirements for Trust Accounts.

(1) All trust accounts shall be maintained in the state where the lawyer's office is situated, or elsewhere with the consent of the client or third person on whose behalf the trust property is held, except that all funds required by this rule to be deposited in an IOLTA account shall be maintained in this Commonwealth.

(2) Each trust account title shall include the words "trust account," "escrow account," "client funds account," "conveyancing account," "IOLTA account," or words of similar import indicating the fiduciary nature of the account. Lawyers maintaining trust accounts shall take all steps necessary to inform the depository institution of the purpose and identity of such accounts.

(3) No withdrawal from a trust account shall be made by a check which is not prenumbered. No withdrawal shall be made in cash or by automatic teller machine or any similar method. No withdrawal shall be made by a check payable to "cash" or "bearer" or by any other method which does not identify the recipient of the funds.

(4) Every withdrawal from a trust account for the purpose of paying fees to a lawyer or reimbursing a lawyer for costs and expenses shall be payable to the lawyer or the lawyer's law firm.

(5) Each lawyer who has a law office in this Commonwealth and who holds trust funds shall deposit such funds, as appropriate, in one of two types of interest-bearing accounts: either (i) a pooled account ("IOLTA account") for all trust funds which in the judgment of the lawyer are nominal in amount, or are to be held for a short period of time, or (ii) for all other trust funds, an individual account with the interest payable as directed by the client or third person on whose behalf the trust property is held. The foregoing deposit requirements apply to funds received by lawyers in connection with real estate transactions and loan closings, provided, however, that a trust account in a lending bank in the name of a lawyer representing the lending bank and used exclusively for depositing and disbursing funds in connection with that particular bank's loan transactions, shall not be required but is permitted to be established as an IOLTA account. All IOLTA accounts shall be established in compliance with the provisions of paragraph (g) of this rule.

(6) Property held for no compensation as a custodian for a minor family member is not subject to the Operational Requirements for Trust Accounts set out in this paragraph (e) or to the Required Accounts and Records in paragraph (f) of this rule. As used in this subsection, "family member" refers to those individuals specified in section (e)(2) of rule 7.3.

(f) Required Accounts and Records: Every lawyer who is engaged in the practice of law in this Commonwealth and who holds trust property in connection with a representation shall maintain complete records of the receipt, maintenance, and disposition of that trust property, including all records required by this subsection. Records shall be preserved for a period of six years after termination of the representation and after distribution of the property. Records may be maintained by computer subject to the requirements of subparagraph 1G of this paragraph (f) or they may be prepared manually.

(1) Trust Account Records. The following books and records must be maintained for each trust account:

A. Account Documentation. A record of the name and address of the bank or other depository; account number; account title; opening and closing dates; and the type of account, whether pooled, with net interest paid to the IOLTA Committee (IOLTA account), or account with interest paid to the client or third person on whose behalf the trust property is held (including master or umbrella accounts with individual subaccounts).

B. Check Register. A check register recording in chronological order the date and amount of all deposits; the date, check or transaction number, amount, and payee of all disbursements, whether by check, electronic transfer, or other means; the date and amount of every other credit or debit of whatever nature; the identity of the client matter for which funds were deposited or disbursed; and the current balance in the account.

C. Individual Client Records. A record for each client or third person for whom the lawyer received trust funds documenting each receipt and disbursement of the funds of the client or third person, the identity of the client matter for which funds were deposited or disbursed, and the balance held for the client or third person, including a subsidiary ledger or record for each client matter for which the lawyer receives trust funds documenting each receipt and disbursement of the funds of the client or third person with respect to such matter. A lawyer shall not disburse funds from the trust account that would create a negative balance with respect to any individual client.

D. Bank Fees and Charges. A ledger or other record for funds of the lawyer deposited in the trust account pursuant to paragraph (b)(2)(i) of this rule to accommodate reasonably expected bank charges. This ledger shall document each deposit and expenditure of the lawyer's funds in the account and the balance remaining.

E. Reconciliation Reports. For each trust account, the lawyer shall prepare and retain a reconciliation report on a regular and periodic basis but in any event no less frequently than every sixty days. Each reconciliation report shall show the following balances and verify that they are identical:

(i) The balance which appears in the check register as of the reporting date.

(ii) The adjusted bank statement balance, determined by adding outstanding deposits and other credits to the bank statement balance and subtracting outstanding checks and other debits from the bank statement balance.

(iii) For any account in which funds are held for more than one client matter, the total of all client matter balances, determined by listing each of the individual client matter records and the balance which appears in each record as of the reporting date, and calculating the total. For the purpose of the calculation required by this paragraph, bank fees and charges shall be considered an individual client record. No balance for an individual client may be negative at any time.

F. Account Documentation. For each trust account, the lawyer shall retain contemporaneous records of transactions as necessary to document the transactions. The lawyer must retain:

(i) bank statements.

(ii) all transaction records returned by the bank, including canceled checks and records of electronic transactions.

(iii) records of deposits separately listing each deposited item and the client or third person for whom the deposit is being made.

G. Electronic Record Retention. A lawyer who maintains a trust account record by computer must maintain the check register, client ledgers, and reconciliation reports in a form that can be reproduced in printed hard copy. Electronic records must be regularly backed up by an appropriate storage device.

(2) Business Accounts. Each lawyer who receives trust funds must maintain at least one bank account, other than the trust account, for funds received and disbursed other than in the lawyer's fiduciary capacity.

(3) Trust Property Other than Funds. A lawyer who receives trust property other than funds must maintain a record showing the identity, location, and disposition of all such property.

(g) Interest on Lawyers' Trust Accounts.

(1) The IOLTA account shall be established with any bank, savings and loan association, or credit union authorized by Federal or State law to do business in Massachusetts and insured by the Federal Deposit Insurance Corporation or similar State insurance programs for State-chartered institutions. At the direction of the lawyer, funds in the IOLTA account in excess of $100,000 may be temporarily reinvested in repurchase agreements fully collateralized by U.S. Government obligations. Funds in the IOLTA account shall be subject to withdrawal upon request and without delay.

(2) Lawyers creating and maintaining an IOLTA account shall direct the depository institution:

(i) to remit interest or dividends, net of any service charges or fees, on the average monthly balance in the account, or as otherwise computed in accordance with an institution's standard accounting practice, at least quarterly, to the IOLTA Committee;

(ii) to transmit with each remittance to the IOLTA Committee a statement showing the name of the lawyer who or law firm which deposited the funds; and

(iii) at the same time to transmit to the depositing lawyer a report showing the amount paid, the rate of interest applied, and the method by which the interest was computed.

(3) Lawyers shall certify their compliance with this rule as required by S.J.C. Rule 4:02, subsection (2).

(4) This court shall appoint members of a permanent IOLTA Committee to fixed terms on a staggered basis. The representatives appointed to the committee shall oversee the operation of a comprehensive IOLTA program, including:

(i) the receipt of all IOLTA funds and their disbursement, net of actual expenses, to the designated charitable entities, as follows: sixty-seven percent (67%) to the Massachusetts Legal Assistance Corporation and the remaining thirty-three percent (33%) to other designated charitable entities in such proportions as the Supreme Judicial Court may order;

(ii) the education of lawyers as to their obligation to create and maintain IOLTA accounts under Rule 1.15(h);

(iii) the encouragement of the banking community and the public to support the IOLTA program;

(iv) the obtaining of tax rulings and other administrative approval for a comprehensive IOLTA program as appropriate;

(v) the preparation of such guidelines and rules, subject to court approval, as may be deemed necessary or advisable for the operation of a comprehensive IOLTA program;

(vi) establishment of standards for reserve accounts by the recipient charitable entities for the deposit of IOLTA funds which the charitable entity intends to preserve for future use; and

(vii) reporting to the court in such manner as the court may direct.

(5) The Massachusetts Legal Assistance Corporation and other designated charitable entities shall receive IOLTA funds from the IOLTA Committee and distribute such funds for approved purposes. The Massachusetts Legal Assistance Corporation may use IOLTA funds to further its corporate purpose and other designated charitable entities may use IOLTA funds either for (a) improving the administration of justice or (b) delivering civil legal services to those who cannot afford them.

(6) The Massachusetts Legal Assistance Corporation and other designated charitable entities shall submit an annual report to the court describing their IOLTA activities for the year and providing a statement of the application of IOLTA funds received pursuant to this rule.

(h) Dishonored Check Notification.

All trust accounts shall be established in compliance with the following provisions on dishonored check notification:

(1) A lawyer shall maintain trust accounts only in financial institutions which have filed with the Board of Bar Overseers an agreement, in a form provided by the Board, to report to the Board in the event any properly payable instrument is presented against any trust account that contains insufficient funds, and the financial institution dishonors the instrument for that reason.

(2) Any such agreement shall apply to all branches of the financial institution and shall not be cancelled except upon thirty days notice in writing to the Board.

(3) The Board shall publish annually a list of financial institutions which have signed agreements to comply with this rule, and shall establish rules and procedures governing amendments to the list.

(4) The dishonored check notification agreement shall provide that all reports made by the financial institution shall be identical to the notice of dishonor customarily forwarded to the depositor, and should include a copy of the dishonored instrument, if such a copy is normally provided to depositors. Such reports shall be made simultaneously with the notice of dishonor and within the time provided by law for such notice, if any.

(5) Every lawyer practicing or admitted to practice in this Commonwealth shall, as a condition thereof, be conclusively deemed to have consented to the reporting and production requirements mandated by this rule.

(6) The following definitions shall be applicable to this subparagraph:

(i) "Financial institution" includes (a) any bank, savings and loan association, credit union, or savings bank, and (b) with the written consent of the client or third person on whose behalf the trust property is held, any other business or person which accepts for deposit funds held in trust by lawyers.

(ii) "Notice of dishonor" refers to the notice which a financial institution is required to give, under the laws of this Commonwealth, upon presentation of an instrument which the institution dishonors.

(ii) "Properly payable" refers to an instrument which, if presented in the normal course of business, is in a form requiring payment under the laws of this Commonwealth.

Comments

[1] A lawyer should hold property of others with the care required of a professional fiduciary. Securities should be kept in a safe deposit box, except when some other form of safekeeping is warranted by special circumstances. Separate trust accounts are warranted when administering estate monies or acting in similar fiduciary capacities.

[2] In general, the phrase "in connection with a representation" includes all situations where a lawyer holds property as a fiduciary, including as an escrow agent. For example, an attorney serving as a trustee under a trust instrument or by court appointment holds property "in connection with a representation". Likewise, a lawyer serving as an escrow agent in connection with litigation or a transaction holds that property "in connection with a representation". However, a lawyer serving as a fiduciary who is not actively practicing law does not hold property "in connection with a representation."

[3] Lawyers often receive funds from third parties from which the lawyer's fee will be paid. If there is risk that the client may divert the funds without paying the fee, the lawyer is not required to remit the portion from which the fee is to be paid. However, a lawyer may not hold funds to coerce a client into accepting the lawyer's contention. The disputed portion of the funds must be kept in trust and the lawyer should suggest means

for prompt resolution of the dispute, such as arbitration. The undisputed portion of the funds shall be promptly distributed.

[4] Third parties, such as a client's creditors, may have just claims against funds or other property in a lawyer's custody. A lawyer may have a duty under applicable law to protect such third-party claims against wrongful interference by the client, and accordingly may refuse to surrender the property to the client. However, a lawyer should not unilaterally assume to arbitrate a dispute between the client and the third party.

[5] The obligations of a lawyer under this Rule are independent of those arising from activity other than rendering legal services. For example, a lawyer who serves as an escrow agent is governed by the applicable law relating to fiduciaries even though the lawyer does not render legal services in the transaction.

[6] How much time should elapse between the receipt of funds by the lawyer and notice to the client or third person for whom the funds are held depends on the circumstances. By example, notice must be furnished immediately upon receipt of funds in settlement of a disputed matter, but a lawyer acting as an escrow agent or trustee routinely collecting various items of income may give notice by furnishing a complete statement of receipts and expenses on a regular periodic basis satisfactory to the client or third person.

Notice to a client or third person is not ordinarily required for payments of interest and dividends in the normal course, provided that the lawyer properly includes all such payments in regular periodic statements or accountings for the funds held by the lawyer.

[7] Paragraph (e)(3) states the general rule that all withdrawals and disbursements from trust account must be made in a manner which permits the recipient or payee of the withdrawal to be identified. It does not prohibit electronic transfers or foreclose means of withdrawal which may be developed in the future, provided that the recipient of the payment is identified as part of the transaction. When payment is made by check, the check must be payable to a specific person or entity. A prenumbered check must be used, except that starter checks may be used for a brief period between the opening of a new account and issuance of numbered checks by the bank or depository.

[8] Paragraph (f) lists records that a lawyer is obliged to keep in order to comply with the requirement that "complete records" be maintained. Additional records may be required to document financial transactions with clients or third persons. Depending on the circumstances, these records could include retainer, fee, and escrow agreements and accountings, including RESPA or other real estate closing statements, accountings in contingent fee matters, and any other statement furnished to a client or third person to document receipt and disbursement of funds.

[9] The "Check Register," "Individual Client Ledger" and "Ledger for Bank Fees and Charges" required by paragraph (f)(1) are all chronological records of transactions. Each entry made in the check register must have a corresponding entry in one of the ledgers. This requirement is consistent with manual record keeping and also comports

with most software packages. In addition to the data required by paragraph (f)(1)(B), the source of the deposit and the purpose of the disbursement should be recorded in the check register and appropriate ledger. For non-IOLTA accounts, the dates and amounts of interest accrual and disbursement, including disbursements from accrued interest to defray the costs of maintaining the account, are among the transactions which must be recorded. Check register and ledger balances should be calculated and recorded after each transaction or series of related transactions.

[10] Periodic reconciliation of trust accounts is also required. Generally, trust accounts should be reconciled on a monthly basis so that any errors can be corrected promptly. Active, high-volume accounts may require more frequent reconciliations. A lawyer must reconcile all trust accounts at least every sixty days.

The three-way reconciliation described in paragraph (f)(1)(E) must be performed for any account in which funds related to more than one client matter are held. The reconciliation described in paragraph (f)(1)(E)(iii) need not be performed for accounts which only hold the funds of a single client or third person, but the lawyer must be sure that the balance in that account corresponds to the balance in the individual ledger maintained for that client or third person.

The method of preparation and form of the periodic reconciliation report will depend upon the volume of transactions in the accounts during the period covered by the report and whether the lawyer maintains records of the account manually or electronically. By example, for an inactive single-client account for which the lawyer keeps records manually, a written record that the lawyer has reconciled the account statement from the financial institution with the check register maintained by the lawyer may be sufficient.

[11] Lawyers who maintain records electronically should back up data on a regular basis. For moderate to high-volume trust accounts, weekly or even daily backups may be appropriate.

Corresponding ABA Model Rule. Different from Model Rule 1.15.

Corresponding Former Massachusetts Rule. DR 9-102, DR 9-103.

Exhibit A

CLIENT LEDGER

USE ONE FOR EACH CLIENT MATTER

Client Name: _____

Legal Matter or Adverse Party: _____

File or Case Number: _____

Date	Chk No.	Payee or Source of Deposit	Description of Transaction	Amount Paid	Amount Received	Running Balance

CLIENT FUNDS CHECK REGISTER

Account #: _____

Account Title: _____

Month: _____ Year:_____

Date	Chk No.	Payee or Source of Deposit	Description of Transaction	Client ID	Amount Paid	Amount Received	Running Balance

Exhibit C

RECONCILIATION WORKSHEET

As of Month Ending: _____

Client Ledger Balances

	Name or Client ID:	Amount:
1.	_____	$ _____
2.	_____	$ _____
3.	_____	$ _____
4.	_____	$ _____
5.	_____	$ _____
6.	_____	$ _____
7.	_____	$ _____
8.	_____	$ _____
9.	_____	$ _____
10.	_____	$ _____
11.	_____	$ _____
12.	_____	$ _____
13.	Attorney Funds (for bank charges) _____	$ _____

Total Client Ledger Balances ***$_____**

Client Fund Account Check Register Balance: $_____*

Bank Statement Balance: $_____

Less: Outstanding Checks $_____

Add: Outstanding Deposits $_____

Reconciled Bank Statement Balance: $_____*

_____ _____ _____

completed by *date* *approved by*

***These amounts must be identical to each other**

ATTORNEY'S NOTICE OF ENROLLMENT

Notice to Financial Institution to Establish an IOLTA Account

ATTORNEY INFORMATION

INSTRUCTIONS TO ATTORNEYS: (1) COMPLETE THE "ATTORNEY INFORMATION" SECTION, (2) BRING THIS FORM TO THE FINANCIAL INSTITUTION OF YOUR CHOICE, (3) AFTER THE INSTITUTION HAS COMPLETED ITS SECTION BELOW, SEND THE PINK COPY TO THE IOLTA COMMITTEE **ALONG WITH A DEPOSIT SLIP OR VOIDED CHECK.**

Firm Name: _____

Attorney Name: _____

Mailing Address: _____

City: _____ State: _____ Zip Code: _____ Telephone: _____

The undersigned hereby enrolls in the comprehensive Interest on Lawyers' Trust Accounts (IOLTA) program established by the Massachusetts Supreme Judicial Court. Under this program, please open an account subject to negotiable orders of withdrawal (NOW, SuperNOW Account or other suitable interest-bearing account).

Authorized Signatories: _____

_____

_____

(Attach additional sheets for additional signatories)

FINANCIAL INSTITUTION INFORMATION

NOTE TO FINANCIAL INSTITUTIONS: PLEASE CALL (617) 723-9093 IF YOU REQUIRE ASSISTANCE IN SETTING UP THIS ACCOUNT.

Financial Institution Name: _____

Mailing Address: _____

City: _____ State: _____ Zip: _____ Telephone: _____

Date Opened: _____ By: _____
(Financial Institution Representative)

Account Name: _____

Account Number: ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐

Please attach deposit slip or voided check to the PINK IOLTA Committee copy.

Interest as computed in accordance with your standard account disclosure should be remitted monthly or quarterly to:

THE MASSACHUSETTS IOLTA COMMITTEE
ELEVEN BEACON STREET, SUITE 820
BOSTON, MA 02108-3009
(617) 723-9093
TAXPAYER I.D. NO. 04-3168608

Remittance of interest may be made by your bank check via U.S. mail to the above address, or by Electronic Funds Transfer. Please call the IOLTA Committee for specific instructions on electronic payments. For each remittance, please submit a complete "Interest Remittance Report" and "IOLTA Summary Sheet".

For more complete instructions on opening and remitting interest on IOLTA accounts, contact the IOLTA Committee and request the "Operations Handbook for Financial Institutions".

WHITE ~ BANK **YELLOW ~ ATTORNEY** **PINK ~ SEND TO IOLTA**

FOR FURTHER INFORMATION

PLEASE CALL OR WRITE

MASSACHUSETTS IOLTA COMMITTEE

ELEVEN BEACON STREET, SUITE 820

BOSTON, MA 02108

(617) 723-9093

WWW.MAIOLTA.ORG